

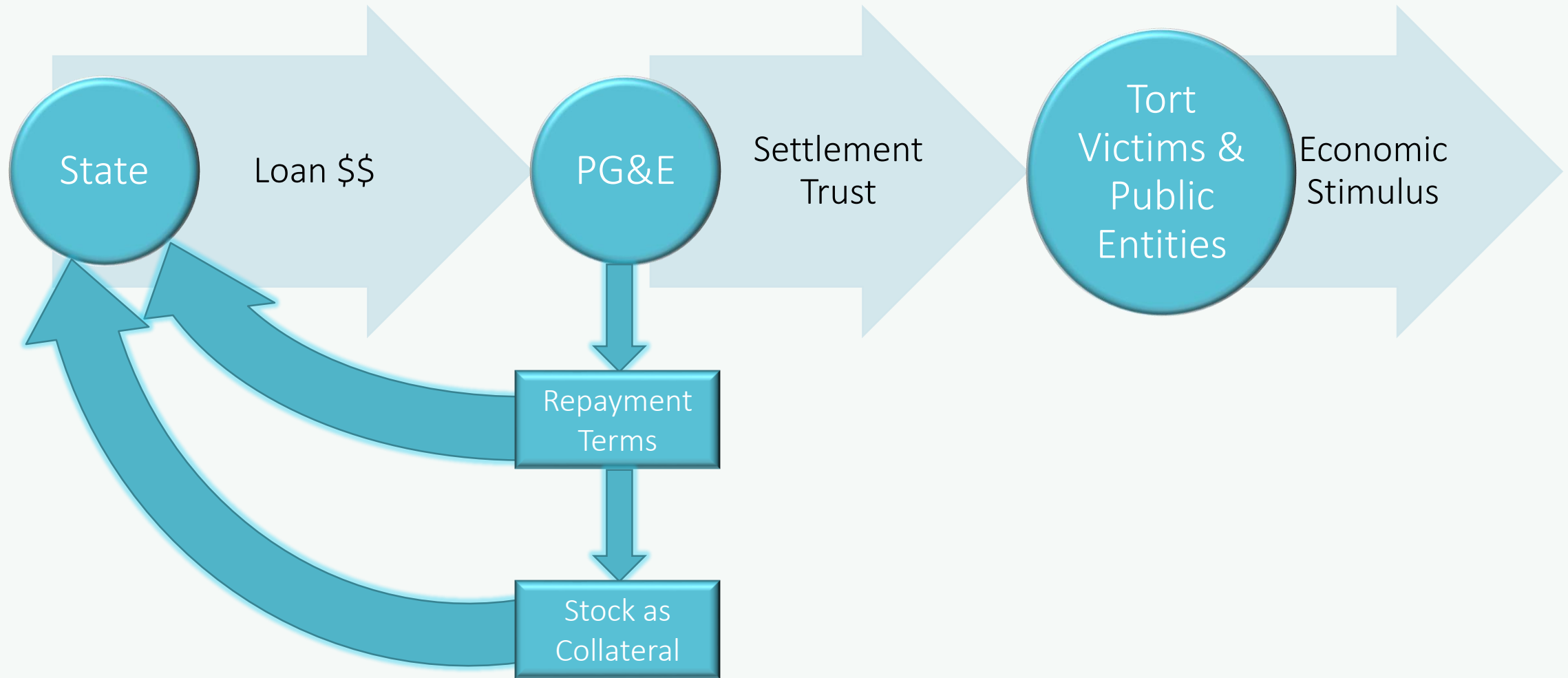
PG&E Wildfire Liabilities and Bankruptcy Guide

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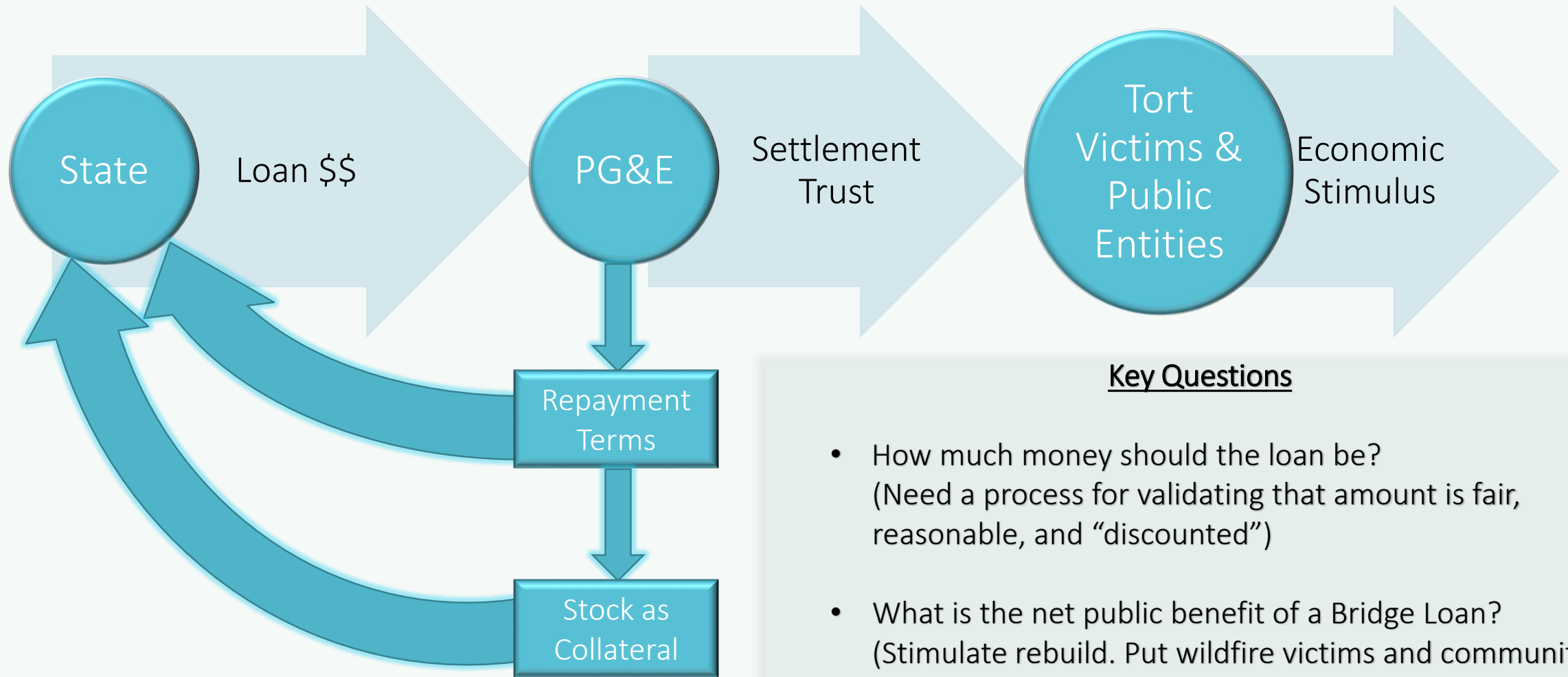
A holistic view of what needs to get done to:

- revive and maintain PG&E as a viable enterprise,
- make wildfire victims whole, and
- protect California from the risks and costs of electrical wildfires.

Bridge Loan



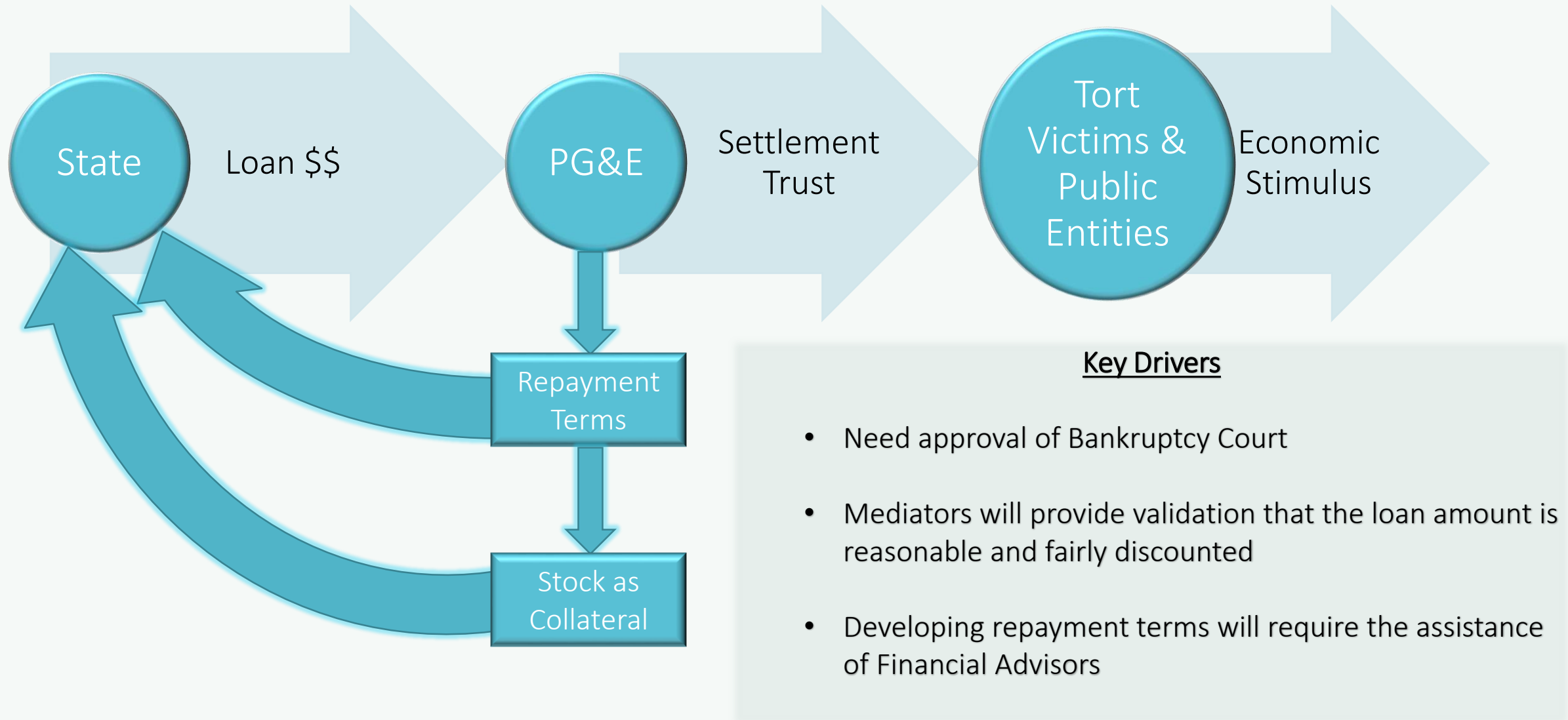
Bridge Loan



Key Questions

- How much money should the loan be? (Need a process for validating that amount is fair, reasonable, and “discounted”)
- What is the net public benefit of a Bridge Loan? (Stimulate rebuild. Put wildfire victims and communities back on their feet. Spur growth and industry. Get PG&E out of bankruptcy sooner, benefiting all creditors.)

Bridge Loan



Wildfire Catastrophic Loss Fund

Level 1

- Larger Self-Insured Base

Level 2

- Mandatory insurance of \$3 billion above self-insurance for each utility for liabilities exceeding \$500 million

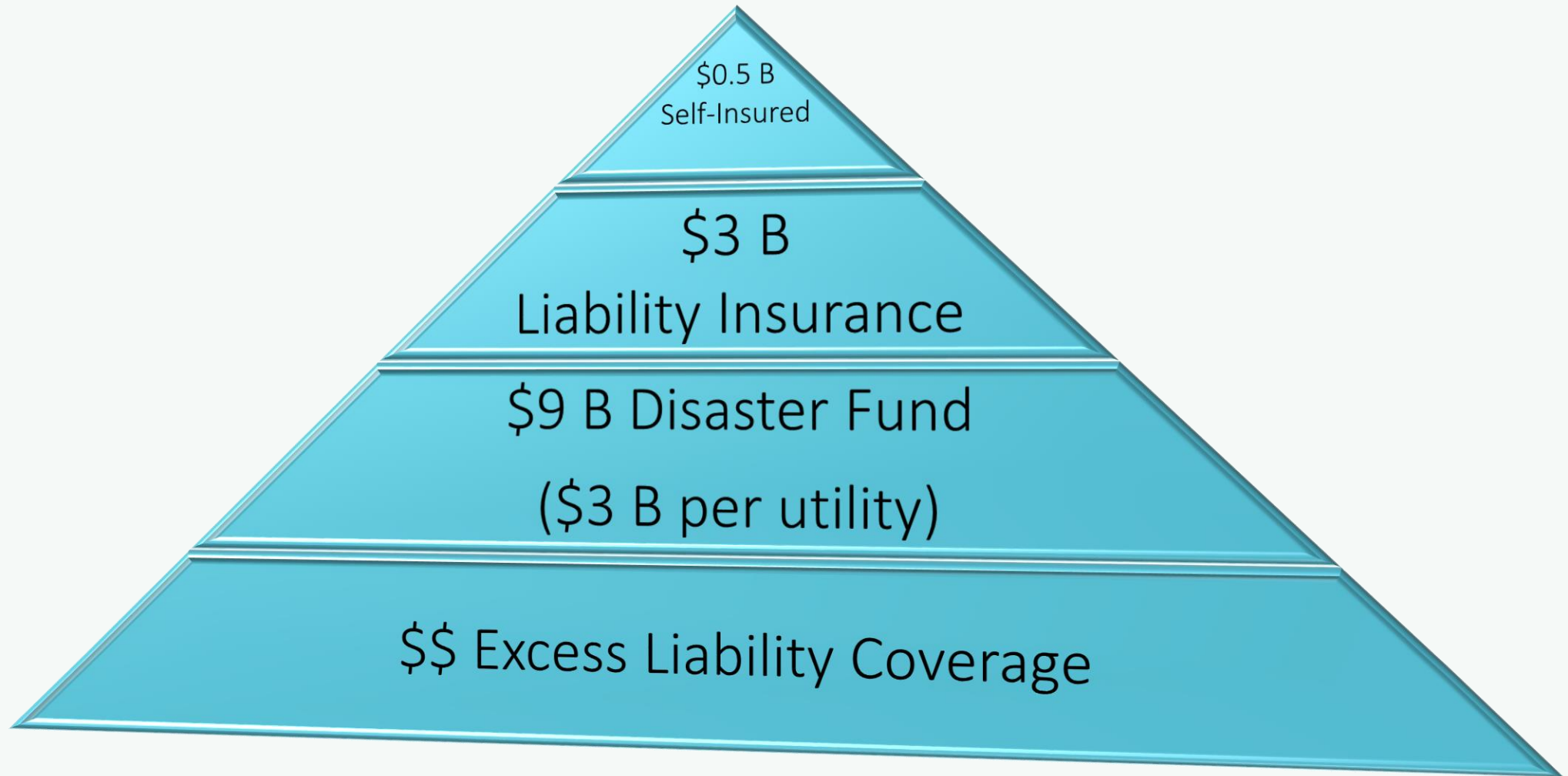
Level 3

- Each utility funds with loans/stock/securities/bonds of \$3 billion per utility for liabilities exceeding \$3.5 billion. Tort victims apply directly to this fund for compensation. Utility obligated to replenish the fund if and only if determined at fault due to negligence. (This will require enhancements to the CPUC reimbursement process.)

Level 4

- Excess Liability for liability exceeding \$12.5 billion.

Wildfire Catastrophic Loss Fund



Risk Reduction Education

Prevailing Assumptions:

- It will take too long to implement hardware upgrades and enhanced vegetation management practices.
- The risk and severity of catastrophic wildfires will not abate over the next few years.

Risk Reduction Education



Risk Reduction Education

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graph LR; A[Implementing Risk Reduction] --> B[Lowers the likelihood of exceeding primary $3.5 B wildfire coverage]; B --> C[Lowers the cost of wildfire insurance coverage]
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Implementing
Risk Reduction

Lowers the likelihood of
exceeding primary \$3.5 B
wildfire coverage

Lowers the cost
of wildfire
insurance
coverage

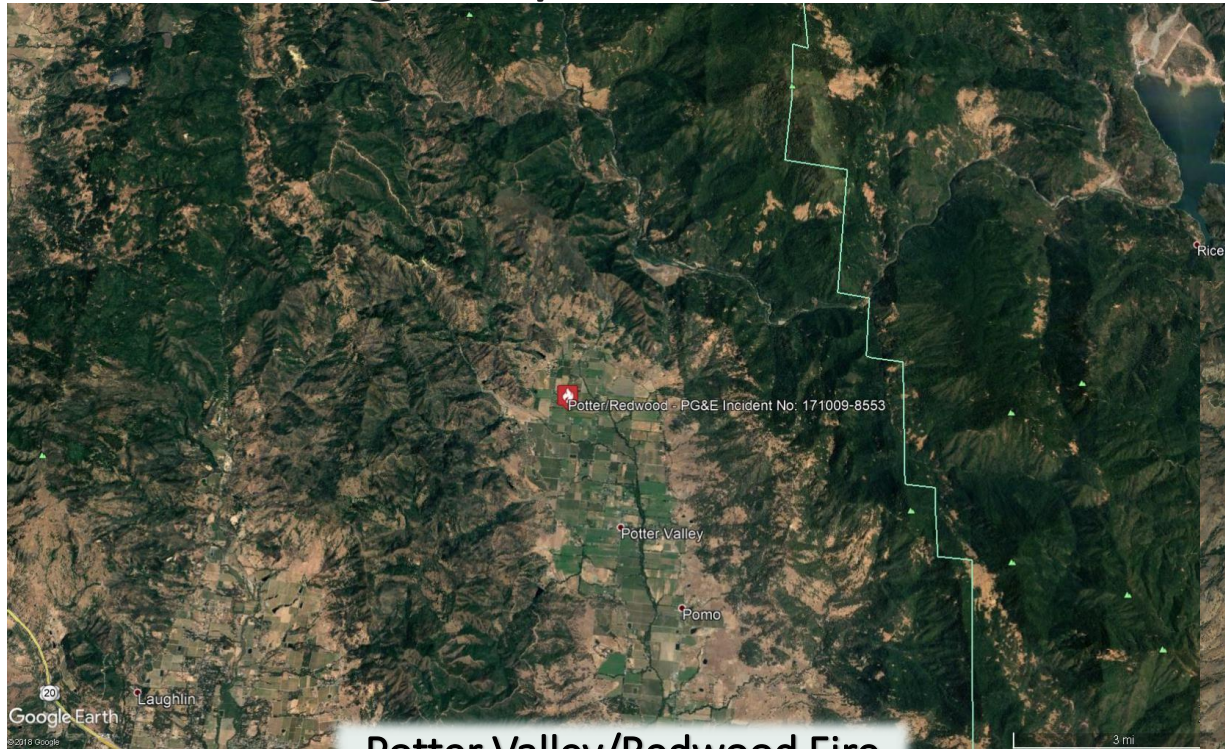
Risk Reduction Education

Correcting Expectations

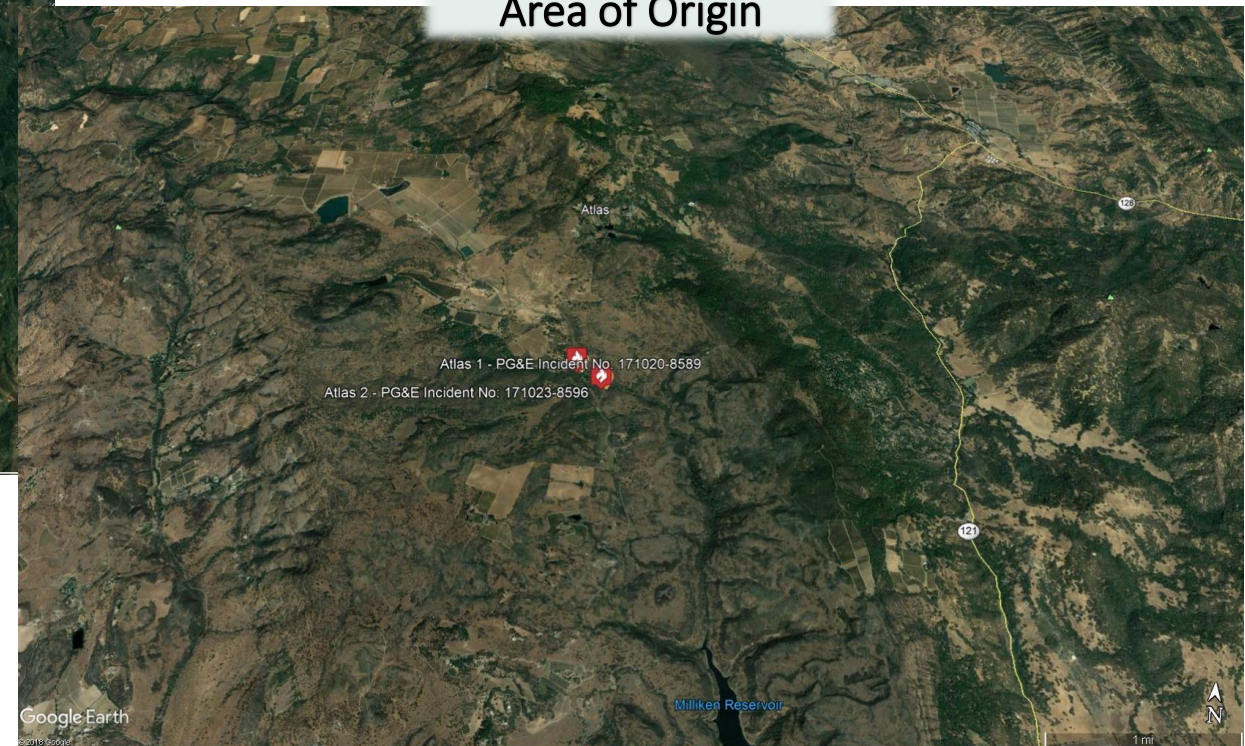
- De-energization to focus on the types of areas where wildfires start.
- Wildfire ignition risk is not high where there are hospitals or large population bases.

Risk Reduction Education

Correcting Expectations



Potter Valley/Redwood Fire
Suspected Area of Origin



Atlas Fire Suspected
Area of Origin

Risk Reduction Education

Addressing Expected Concerns

- e.g., Industrial ratepayers in areas of high ignition risk concerned about the costs of adaptation to a more proactive de-energization policy. They must consider whether they would rather buy generators today or lose everything tomorrow?

Legislative Change

Setting the Record Straight

- Inverse Condemnation does not impact utility exposure to wildfire costs due to their negligence.
- Inverse Condemnation has ***never*** been the sole/only basis of utility wildfire liability.

Legislative Change

Proposed Change

Current methodology:

- Utility must establish that it exercised prudent management in order to establish that the costs of wildfire damages are “reasonable” to pass through to ratepayers.

Legislative Change

Proposed Change

Proposed methodology:

- Change “prudent manager” standard to negligence, lack of ordinary care by failure to comply with industry best practices, standards, CPUC rules, etc.
- Shift the burden of proof to require the CPUC to establish utility negligence.
- Resource and empower the CPUC to make these decisions more quickly.